MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Violet Varona-Lukens, Executive Officer
Clerk of the Board of Supervisors
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

13 through 14

On motion of Supervisor Burke, seconded by Supervisor Antonovich, unanimously carried (Supervisor Knabe being absent), the attached recommendations of the Los Angeles County Audit Committee, were adopted. Following is a summary accounting of the attachments:

13.
Recommendation: Approve the following revisions to Policy No. 4.030 - Budget Policies and Priorities in Section 5 regarding overmatches, Section 9 regarding the 5% reserve, and Section 11 regarding assurances; also extend the sunset review date to December 17, 2008. APPROVE (04-2376)

14.
Recommendation: Approve revision to Policy No. 5.015 - Timely Submission of Contracts for Board Approval to reflect the implementation of the Countywide Contract Monitoring System; and extend the sunset review date to September 19, 2008. APPROVE (04-2377)

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Attachments (2)

September 21, 2004

Los Angeles County
AUDIT COMMITTEE

Louisa Ollague, Chair
1st District
Brence Culp, Vice Chair
3rd District
Clinton Tatum
2th District
Rick Velasquez
4th District
Angela Mazzie
5th District

September 10, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

13 SEP 21 2004

Violet Varona-Lukens
VIOLET VARONA-LUKENS
EXECUTIVE OFFICER

Dear Supervisors:

POLICY SUNSET REVIEW PROCESS – POLICY #4.030 BUDGET POLICIES AND PRIORITIES
(ALL DISTRICTS AFFECTED) (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve the following revisions in Section 5 regarding overmatches, Section 9 regarding the five percent reserve, and Section 11 regarding assurances and extend the Sunset Review Date for Policy #4.030 Budget Policies and Priorities to December 17, 2008.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

In accordance with the Board of Supervisors Policy manual guidelines, the Audit Committee is submitting the results of the evaluation of Board Policy #4.030 Budget Policies and Priorities and its recommendation for further action by your Board.

FISCAL/FINANCING IMPACTS:

The policy fosters fiscal prudence and long-term strategic fiscal planning by establishing policies and priorities that will assist departments in preparing their budget requests, provides direction to the Chief Administrative Office in developing the Proposed Budget and provides a context to help guide Board decision-making consistent with deliberations on the Final Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The policy was established December 17, 1996 by Board Order, Synopsis 67. The Chief Administrative Office has suggested modifications to Sections 5, 9, 10, and 11 to provide clarification and reflect changes in generally accepted practices in the financial community as shown below:

Section 5
Mandated programs should normally be implemented at the level of funding provided by the State or federal government; continuing to provide supplemental local funding for unfunded or under-funded State/federal mandates allows other levels of government to escape responsibility for providing adequate funding for mandates they place on the County.

~~Similarly, County overmatches for departments with maintenance of effort requirements should be reduced or eliminated.~~ **Similarly, to the extent that public health and safety are not jeopardized, County overmatches should be reduced or eliminated.**

Section 9
~~Moderate increases to the Reserve for Budgetary Uncertainties should be accumulated over time, until a two percent reserve level is achieved. A two percent contingency, which is generally considered the minimum requirement by the financial community, would provide for unforeseen emergencies while increasing the County's credit worthiness.~~ **To the extent that it is feasible, moderate increases should be accumulated over time until a five percent reserve of locally generated revenue is achieved. A five percent reserve of locally generated revenues is generally considered adequate by the financial community, and would provide for unforeseen emergencies while increasing the County's credit worthiness.**

Section 10
The County should phase in funding of unfunded liabilities. The County currently budgets a number of unfunded incurred liabilities, such as Workers' Compensation, on a pay-as-you-go basis, instead of funding reserves to cover future payments. Failure to address unfunded liabilities is a form of deficit spending, which if left unchecked, will eventually consume larger and larger portions of the annual budget. Accepted actuarial and accounting practices require that reserves be established so that future payouts of today's costs do not impact future operating budgets.

Section 11
The County should phase out Bond Anticipation Notes (BANs) issued for projects for which take-out loans are uncertain. In the future, BANs should not be used unless repayment ~~can be guaranteed~~ **is assured.**

IMPACT ON CURRENT SERVICES (OR PROJECTS):

The Chief Administrative Office (CAO) recommended a change from two percent to five percent, based on the Government Finance Officer's Association (GFOA)'s recommendations, a five percent reserve of locally generated revenues is considered adequate by the financial community, and would provide for unforeseen emergencies while increasing the County's credit worthiness. The accumulated reserve of five percent by the CAO is based on locally generated revenues which the Board of Supervisors has discretion on how to utilize.

Respectfully submitted,

Louisa Ollague

LO:ml: kw

cc: Chief Administrative Officer
Commission Services
Executive Officer of the Board of Supervisors
County Counsel
Auditor-Controller

County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE
713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
http://cao.co.la.ca.us

DAVID E. JANSSEN
Chief Administrative Officer

December 17, 2003

To: Audit Committee

From: David E. Janssen
Chief Administrative Officer

BUDGET POLICIES AND PRIORITIES

As requested, my staff has reviewed and revised the Budget Policies and Priorities which will sunset on December 17, 2003. Sections 5, 9, 10, and 11 have been updated to provide clarification and reflect changes in generally accepted practices in the financial community. The attached document reflects our recommended changes for your review and approval including a subsequent sunset date of December 17, 2008. However, for your convenience, we have identified our changes using strikeouts and bold type below:

Section 5

Mandated programs should normally be implemented at the level of funding provided by the State or federal government; continuing to provide supplemental local funding for unfunded or under-funded State/federal mandates allows other levels of government to escape responsibility for providing adequate funding for mandates they place on the County. ~~Similarly, County overmatches for departments with maintenance of effort requirements should be reduced or eliminated.~~ **Similarly, to the extent that public health and safety are not jeopardized, County overmatches should be reduced or eliminated.**

Section 9

~~Moderate increases to the Reserve for Budgetary Uncertainties should be accumulated over time, until a two-percent reserve level is achieved. A two-percent contingency, which is generally considered the minimum requirement by the financial community, would provide for unforeseen emergencies while increasing the County's credit worthiness.~~ **To the extent that it is feasible, moderate increases should be accumulated over time until a five percent reserve of locally generated revenue is**

achieved. A five-percent reserve of locally generated revenues is generally considered adequate by the financial community, and would provide for unforeseen emergencies while increasing the County's credit worthiness.

Section 10

The County should phase in funding of unfunded liabilities. The County currently budgets a number of unfunded incurred liabilities, such as Workers' Compensation, on a pay-as-you-go basis, instead of funding reserves to cover future payments. Failure to address unfunded liabilities is a form of deficit spending, which if left unchecked, will eventually consume larger and larger portions of the annual budget. Accepted actuarial and accounting practices require that reserves be established so that future payouts of today's costs do not impact future operating budgets.

Section 11

The County should phase out Bond Anticipation Notes (BANs) issued for projects for which take-out loans are uncertain. In the future, BANs should not be used unless repayment ~~can be guaranteed~~ **is assured.**

If you have any questions regarding the information provided, please contact Jackie White of my staff at (213) 974-1155.

DEJ:DIL
JW:JT:vyg

Attachment

budget policies_m

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Los Angeles County
BOARD OF SUPERVISORS POLICY MANUAL

Policy #:	Title:	Effective Date:
4.030	Budget Policies and Priorities	12/17/96

PURPOSE

Fosters fiscal prudence and long-term strategic fiscal planning by establishing policies and priorities that will assist departments in preparing their budget requests, provides direction to the Chief Administrative Office in developing the Proposed Budget and provides a context to help guide Board decision-making consistent with deliberations on the Final Budget.

REFERENCE

December 17, 1996 Board Order, Synopsis 67

POLICY

The initial policy has been amended and augmented with additional polices which are consistent with the general budget policy direction indicated by recent Board actions and discussions.

Budget Policies:

1. In developing recommendations that may require operational reductions, departments should ensure that administrative and non-service areas have been reduced to the maximum extent possible. In general, any service reduction, which may be necessary, should include commensurate reductions in administrative functions, such as management/supervisory, payroll, or other support staff. Reductions should include an overall review of management structure with the objective of reducing layers of management. Further, reductions should focus on positions most recently added and/or programs most recently augmented.

2. Focus reductions in programs which are discretionary or where the service level is discretionary.

3. Ongoing costs should be funded with ongoing revenues. Aligning continuing expenditures with continuing revenues, on a level that can be reasonably sustained, will foster stability, predictability, and long-range planning, while avoiding volatility in service levels. Before expanding services, use new, ongoing revenues to meet current obligations and reduce reliance on one-time funding. New programs should not be proposed without identification of (a) specific and continuous funding source(s).

4. The budget should be based on realistic revenue estimates. Future costs should only be budgeted if there is a high probability that the funds will be available to support them. Reliance on new revenues from anticipated growth or revenues contingent upon passage of legislation, unless reasonably assured, can place the budget at risk and raise false expectations.

5. Mandated programs should normally be implemented at the level of funding provided by the State or federal government; continuing to provide supplemental local funding for unfunded or under-funded State/federal mandates allows other levels of government to escape responsibility for providing adequate funding for mandates they place on the County. Similarly, to the extent that public health and safety are not jeopardized, County overmatches should be reduced or eliminated.

6. All new requests for program funding should be accompanied with clear and concise statements of the program's mission, objectives, and intended measurable outcomes; managers will be evaluated, in part, on achievement of outcomes.

7. Unless there is a clear compelling reason for a particular service to be provided by County employees, the choice of a service provider should be based on which entity can provide the service most effectively at lowest cost, whether it be the County, a non-profit organization, a private business, or another jurisdiction.

8. The feasibility and legality of imposing fees or other charges should be evaluated for any service provided by the County where full cost recovery is not currently achieved, particularly services which benefit other jurisdictions.

9. To the extent that it is feasible, moderate increases should be accumulated over time until a five-percent reserve of locally generated revenues is achieved. A five-percent reserve of locally generated revenues is generally considered adequate by the financial community, and would provide for unforeseen emergencies while increasing the County's credit worthiness.

10. The County should phase in funding of unfunded liabilities. The County currently budgets a number of unfunded incurred liabilities, such as Workers' Compensation, on a pay-as-you-go basis, instead of funding reserves to cover future payments. Failure to address unfunded liabilities is a form of deficit

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spending, which if left unchecked, will eventually consume larger and larger portions of the annual budget. Accepted actuarial and accounting practices require that reserves be established so that future payouts of today's costs do not impact future operating budgets.

11. The County should phase out Bond Anticipation Notes (BANs) issued for projects for which take-out loans are uncertain. In the future, BANs should not be used unless repayment is assured.

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Budget Priorities:

1. Public Safety and Justice (includes all law enforcement, justice, and public related operations)

2. Public Health and Welfare/Prevention (includes all health, welfare, and social service operations)

3. Direct Public Services (includes all recreational, cultural, consumer protection, and many regulatory operations)

4. Internal and Support Services (includes all central staff and support operations)

RESPONSIBLE DEPARTMENT

Chief Administrative Office

DATE ISSUED/SUNSET DATE

Issue Date: December 17, 1996 **Sunset Date: December 17, 2003**
Review Date: **Sunset Date: December 17, 2008**